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STANDARD PAVING & MATERIALS, LIMITED

ANNUAL REPORT March 31 1971



Standard Paving & Materials, Limited,

1224 Lawrence Avenue West, Toronto 390, Ontario

The Company

Standard Paving and Materials, Limited — through subsidiaries and divisions — produces sand and gravel, ready-mix concrete, asphalt mixes, concrete pipe and concrete block, for use in all kinds of construction in Ontario. These products account for 85% of total sales for the year.

Other divisions of the company pave streets and highways and build roads in Ontario and Nova Scotia. These activities account for 15% of total sales for the year.

Ready-mix concrete trucks of
(1) McCord & Co. and

(2) Red-D-Mix Concrete Co. divisions
of the company



(3) Sand and gravel haul unit of
Consolidated Sand & Gravel Co. division
of the company

(4) Concrete pipe haul unit of Concrete
Pipe Co. division of the company,
with a load of 90" diameter pipe.



STANDARD PAVING & MATERIALS, LIMITED

1224 Lawrence Avenue West

Toronto 390, Ontario

NOTICE OF A SPECIAL GENERAL MEETING
OF THE SHAREHOLDERS AND
OF THE ANNUAL MEETING OF THE SHAREHOLDERS

TAKE NOTICE that a Special General Meeting of the Shareholders of Standard Paving & Materials, Limited will be held in the Quebec Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, at Eleven o'clock in the forenoon, Eastern Daylight Time, on Thursday, the 17th day of June, 1971, for the following purpose —

To consider and, if thought fit, to confirm Special By-law No. 34 of the Company, passed by the Board of Directors on May 12, 1971, increasing the number of directors to eight of whom five form a quorum, from the present number of seven of whom four form a quorum, a copy of which Special By-law No. 34 is enclosed herewith.

TAKE NOTICE that the Annual Meeting of the Shareholders of Standard Paving & Materials, Limited will be held in the Quebec Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, immediately following the special general meeting on Thursday, the 17th day of June, 1971 for the following purposes:

- (i) To receive, consider and if deemed appropriate to approve the financial statements with the report of the Auditors thereon and the report of the Directors for the year ended March 31, 1971.
- (ii) To consider and, if thought fit, to confirm By-law No. 33 of the Company passed by the Board of Directors on January 28, 1971 providing for indemnification of and insurance for the Directors and Officers of the Company, a copy of which By-law No. 33 is enclosed herewith.
- (iii) To appoint Auditors and authorize the Directors to fix the Auditors' remuneration.
- (iv) To elect Directors for the ensuing year.
- (v) To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto this 12th day of May, 1971. **

T. D. JONES,
Secretary.

If you do not expect to be present in person at the meeting it will be appreciated if you will complete and return the form of proxy accompanying this notice.

STANDARD PAVING & MATERIALS, LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Standard Paving & Materials, Limited (the Company) of proxies to be used at a Special General Meeting of Shareholders of the Company and at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons designated in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so by striking out the names of the persons designated and by inserting such other person's name in the blank space provided in the form of proxy.**

A shareholder who has given a proxy may revoke it by signing written notice of revocation and delivering it to the Secretary of the Company up to the day before the meeting or to the Chairman of the meeting.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the enclosed form of proxy will be voted, and where the shareholder giving the proxy specifies a choice with respect to any matter to be acted upon, the shares represented by the proxy will be voted in accordance with such specification.

The proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF, AND INTEREST IN MATERIAL TRANSACTIONS

The Company has outstanding 1,024,296 shares of no par value each carrying the right to one vote per share. Canada Cement Lafarge Ltd. owns 511,673 shares, being 49.95% of the outstanding shares of the Company. In the usual course of business the Company buys a substantial portion of its cement requirements from Canada Cement Lafarge Ltd. at prevailing market price.

The directors and senior officers of the Company do not know of any other person or company beneficially owning, directly or indirectly, more than 10% of the outstanding shares of the Company.

BY-LAW NO. 33

INDEMNIFICATION OF DIRECTORS AND OFFICERS

By-law enacted by the Board of Directors of Standard Paving & Materials, Limited (the Company) at a meeting held January 28, 1971.

1. Every director and every officer of the Company and his heirs, executors, administrators and other legal personal representatives shall, from time to time and at all times, be indemnified and saved harmless by the Company from and against:

- (a) any liability and all costs, charges and expenses that he sustains or incurs in respect of any action, suit or proceeding that is proposed or commenced against him for or in respect of anything done or permitted by him in respect of the execution of the duties of his office; and
- (b) all other costs, charges and expenses that he sustains or incurs in respect of the affairs of the Company:

provided that no director or officer of the Company shall be indemnified by it in respect of any liability, costs, charges or expenses that he sustains or incurs in or about any action, suit or other proceeding as a result of which he is adjudged to be in breach of any duty or responsibility imposed upon him under the Business Corporations Act, 1970 or under any other statute unless, in an action brought against him in his capacity as director or officer, he has achieved complete or substantial success as a defendant.

2. The Company may purchase and maintain such insurance for the benefit of its directors and officers as the board may from time to time determine, except insurance against a liability, cost, charge or expense of the director or officer incurred as a result of a contravention of Section 144 of the Business Corporations Act, 1970.

SPECIAL BY-LAW NO. 34

TO INCREASE THE NUMBER OF THE BOARD OF DIRECTORS

Special By-law enacted by the Board of Directors of Standard Paving & Materials, Limited (the Company) at a meeting held May 12, 1971.

WHEREAS By-law Number 1 of the Company as amended heretofore provides that the affairs of the Company shall be managed by a Board of seven Directors of whom four shall be a quorum;

AND WHEREAS it is deemed expedient in the interests of the Company to provide that the affairs of the Company shall be managed by a Board of eight Directors of whom five shall be a quorum;

NOW THEREFORE BE IT ENACTED AND IT IS HEREBY ENACTED as a Special By-law of Standard Paving & Materials, Limited,

THAT the first paragraph of Article Number 2 of By-law Number 1 of the Company reading as follows,

"The affairs of the Company shall be managed by a Board of seven Directors." be and the same is hereby repealed and that the following be substituted therefor

"The affairs of the Company shall be managed by a Board of eight Directors."

AND THAT the first paragraph of Article Number 3 of By-law Number 1 of the Company reading as follows,

"Four Directors shall form a quorum for the transaction of business." be and the same is hereby repealed and that the following be substituted therefor

"Five Directors shall form a quorum for the transaction of business."

ELECTION OF DIRECTORS

The Board now consists of seven directors to be elected annually, but will consist of eight directors to be elected annually provided that Special By-law No. 34 is confirmed at the Special General Meeting to be held on June 17, 1971. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth herein, all of whom, except H. F. Grightmire and P. Jongeneel, are now members of the board of directors and have been during the periods indicated. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their present principal occupation or employment and any other principal occupations and employments within the five preceding years, the year in which they became directors of the Company, and the approximate number of shares of the Company beneficially owned directly or indirectly by each of them as of May 1, 1971. Mr. Jongeneel will be nominated for the eighth vacancy subject to confirmation of Special By-law No. 34.

	<u>Became Director</u>	<u>Shares*</u>
S. C. Cooper is President and General Manager of C. A. Pitts Engineering Construction Ltd., heavy engineering construction contractors.	1967	75,000
H. F. Grightmire is President of Permanent Concrete Ltd., Brockville; until September 1970 he was executive vice-president of that company.		
J. B. Hanly is a Vice-President of Canada Cement Lafarge Ltd., manufacturers of cement.	1963	1,200
I. L. Jennings is a Vice-President of the Company.	1966	810
P. Jongeneel is Senior Vice-President, Finance and Administration of Canada Cement Lafarge Ltd. Until May 1970, Mr. Jongeneel was Vice-President Finance of Lafarge Canada Ltd.		200
D. G. Lawson is President of Moss Lawson & Co. Limited, Investment Dealers.	1965	100
J. H. Reid is Chairman of the Board of the Company.	1957	100
T. H. Stevenson is Chairman of the Board of Permanent Concrete Ltd., Brockville. Until September 1970, Mr. Stevenson was President of Permanent Concrete Limited.	1970	1,000

(*The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.)

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate direct remuneration paid or payable by the Company and its subsidiaries in the year ended March 31, 1971 to the directors and senior officers of the Company \$ 186,550

Estimated aggregate cost to the Company and its subsidiaries in the year ended March 31, 1971 of all pension benefits proposed to be paid to the directors and senior officers of the Company under any normal pension plan in the event of retirement at normal retirement age \$ 10,300

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. Thorne, Gunn, Helliwell and Christenson, Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders and to authorize the Board to fix their remuneration. Messrs. Thorne, Gunn, Helliwell and Christenson and the predecessors of that firm have been auditors of the Company for more than five years.

PARTICULARS OF MATTERS TO BE ACTED UPON

The shareholders will be asked to consider and, if thought fit, confirm Special By-law No. 34 passed by the Board of Directors of the Company on May 12, 1971, increasing the number of directors to eight of whom five form a quorum, from the present number of seven of whom four form a quorum. A copy of the By-law is enclosed.

The shareholders will also be asked to consider and, if thought fit, confirm By-law No. 33 passed by the Board of Directors of the Company on January 28, 1971, providing for the indemnification of and insurance for the Directors and Officers of the Company. A copy of the By-law is enclosed.

The Company has not heretofore had a By-law dealing with indemnification of Directors although it had wide powers of indemnification exercisable from time to time. In view of the provisions of the recently enacted Business Corporations Act of Ontario, it is considered to be in the best interest of the Company that the By-law for indemnification of Directors and Officers authorized by that Act, which has been enacted, should be confirmed.

By order of the Board of Directors,

T. D. JONES,
Secretary.

Toronto, Ontario,
May 12, 1971.

BY-LAW NO. 33

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 - (a) any liability and all costs, charges and expenses that he sustains or incurs in respect of any action, suit or proceeding that is proposed or commenced against him for or in respect of anything done or permitted by him in respect of the execution of the duties of his office; and
 - (b) all other costs, charges and expenses that he sustains or incurs in respect of the affairs of the Company:provided that no director or officer of the Company shall be indemnified by it in respect of any liability, costs, charges or expenses that he sustains or incurs in or about any action, suit or other proceeding as a result of which he is adjudged to be in breach of any duty or responsibility imposed upon him under the Business Corporations Act, 1970 or under any other statute unless, in an action brought against him in his capacity as director or officer, he has achieved complete or substantial success as a defendant.
2. The Company may purchase and maintain such insurance for the benefit of its directors and officers as the board may from time to time determine, except insurance against a liability, cost, charge or expense of the director or officer incurred as a result of a contravention of Section 144 of the Business Corporations Act, 1970.

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The Year in Brief

FINANCIAL (\$'000)	March 31 1971	March 31 1970
Sales	39,864	39,652
Net income	781	871
Dividends to shareholders	512	666
Additions to property, plant and equipment ..	2,925	3,006
Working capital at year end	4,855	4,632
Shareholders' equity at year end	15,145	14,876

PER SHARE

Net income	\$ 0.76	\$ 0.85
Dividends to shareholders	0.50	0.65
Shareholders' equity at year end	14.79	14.52

STATISTICAL

Number of employees — March	983	971
— September	1,441	1,627
Number of Shareholders — March	1,493	1,515

COMMENT

After an improved first quarter (when compared with the strike-troubled first quarter of the previous year), the level of construction activity remained relatively static for most of the summer and fall months.

During this period, productive capacity of suppliers continued to grow, resulting in pressure on the price structure of our products with consequent erosion of profit margins.

Towards the close of the year the amount of business available increased with the changing economic climate. This came too late to restore earnings to the level of the previous year, but points to some improvement in the coming season, provided that the construction industry can resolve its labour relations problems without prolonged work stoppages.

COVER PICTURE

An aerial photograph of the major processing units of Consolidated Sand & Gravel, Company's new sand and gravel plant at Stouffville, north-east of Toronto. Designed by R. M. & R. H. Scrivener Ltd., consulting engineers, the plant is one of the largest in Canada.

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The annual meeting of the company will be held on Thursday, June 17, 1971 at 11.00 a.m. in the Quebec Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario.



Directors' Report to the Shareholders

Financial Review

Sales: Total sales and contract revenues were marginally better than last year. Sales improved in the first quarter, by comparison with the strike-troubled first quarter of the previous year; and in the last quarter, with March sales indicating a rising level of construction activity.

Sales of aggregates and concrete products were lower, reflecting the declining volume of general construction work during most of the year. Ready-mixed concrete sales improved, much of the increase resulting from major engineering works on the new Welland Canal route. Paving and highway work undertaken declined because of the closing out of our operations in Toronto and Ottawa a year ago.

Quarterly sales (thousands of dollars)

	year to March 31	
Quarter ended —	1971	1970
June 30	10,744	9,797
September 30	13,072	14,081
December 31	10,481	10,948
March 31	5,567	4,826
Total for the year	39,864	39,652

Net income: Net income of 76¢ per share was 9¢ down from last year. First quarter results compared favourably with the previous year when many construction strikes and lockouts occurred. In mid-year, declining construction activity and in-

creasing productive capacity combined to erode profit margins. Early in 1971 more activity began to be apparent, and by March this trend was beginning to generate better earnings.

Quarterly net income (thousands of dollars)

	Year to March 31	
Quarter ended —	1971	1970
June 30	195	61
September 30	122	250
December 31	294	373
March 31	170	187
Total for the year	781	871

Property, plant and equipment: Net investment during the year amounted to \$2,924,846 — last year \$3,006,172. This was financed from the company's own funds, a \$500,000 five year bank term loan and mortgages of \$305,450 on some of the properties acquired.

Capital expenditures include \$499,903 on work in progress at the year end, principally improvements to the Malton aggregates plant. Other expenditures included the Stouffville aggregates plant completion, land for additional gravel reserves and future plant sites, replacement and expansion of our equipment fleet, and new ready-mix batch plants.

Depreciation and depletion for the year, at \$2,176,919, is \$150,419 greater than the previous year, mainly from the Dixie Road pipe plant (the first full year of operation), and the Stouffville aggregates plant which came into production during the year.

Dividends: Four quarterly dividends of 12½¢ per share were declared during the year ended March 31, 1971, and were paid on August 4 and November 3, 1970, and on February 2 and May 4, 1971. The same regular dividends had been declared in the year ended March 31, 1970 together with an extra dividend of 15¢ in respect of the year ended March 31, 1969.

*ST. MARGARET MARY CHURCH,
Hamilton, Ont.*

Red-D-Mix Concrete Company and Consolidated Sand & Gravel, Company supplied the concrete and aggregates used in this fine example of modern church architecture, designed by Frank H. Burcher, M.R.A.I.C.; Harm Schilthuis & Sons Ltd. were the general contractors (photo courtesy of Canada Cement Lafarge Ltd.)

On August 3, 1971 a quarterly dividend of 12½¢ per share will be paid.

Pollution Control and the Environment

Our main concern for protecting and conserving the environment is in our sand and gravel operations, where for some years now we have been planning for rehabilitation. Our programmes include smoothing and shaping worked-out areas of land, followed by replacement of subsoil and topsoil, seeding, and tree-planting on a large scale. The results to date have been encouraging. All wash water is clarified in settling ponds and re-used so that no water-pollution problems result from the operations.

Our asphalt plants have always been equipped to meet acceptable standards of dust control. All necessary changes are being made to comply with more stringent regulations recently introduced by the Province of Ontario.

Aggregates

Sales volume was influenced by the introduction of new competitive capacity, which also created pressures on the price structure. Our new Stouffville plant was brought into use during the year, and is now making a full contribution. A major overhaul of the Malton plant over the winter months has increased capacity and improved quality. Additional gravel-bearing properties were purchased in several locations to enlarge reserves available for the future.

Ready-mix Concrete and Concrete Block

The quantity of concrete sold increased significantly. Much of the increase resulted from our participation in the major project of diverting part of the Welland Canal to a new alignment. Profitability of concrete sales was seriously affected by intense pressure on the Toronto price structure, spreading from there to adjoining areas.

A new plant was opened at Beamsville, between Hamilton and St. Catharines, and another plant will be opened shortly at Fort Erie. Other locations are under study for additional concrete batching facilities.

Concrete block sales remained depressed, as the level of house-building continued to decline.

Concrete Products

Sales of concrete pipe were somewhat reduced from the previous year's record tonnage. The scarcity and high cost of mortgage money during most of the year curtailed housing sub-division activity, and the anti-inflationary fiscal policies of governments tended to cut back on capital works projects.

The new Dixie Road pipe plant near Toronto has completed its first full year of operation to our complete satisfaction, and we expect it will make a good contribution to our future earnings.

Paving and Road-building

As a result of phasing out our operations in Toronto and Ottawa, the volume of work done in Ontario has declined. Our total paving and road-building activities now contribute about 15% of our total sales volume, compared with 23% two years ago. The volume of work done in Nova Scotia again increased this year. Performance has continued to improve and contributions to earnings have increased.

Labour Relations

During the past year new collective agreements were negotiated for two-year periods at all our divisions, without work stoppages. Settlements were in line with the continually widening expectations of labour unions generally, with a strong inflationary tendency.

Our concern now lies with the prospects of labour peace in the construction industry in the coming season. Recent labour legislation has done something to redress the unequal bargaining position in the industry and at the time of writing there seems some reasonable hope that construction activity may continue uninterrupted through the summer months.

Outlook for 1971/1972

Construction spending in Ontario during 1970 fell somewhat short of earlier government estimates, and after allowing for inflation probably represented much the same physical volume of work as in 1969 and 1968. The housing sector of the province's construction mix was actually valued at 8½% less in 1970 than in 1969, and this sector

tends to have more influence on our operations than non-residential construction.

For 1971, federal government projections indicate an Ontario increase of 11½% in total value of construction expenditures. This includes a 17% increase in dollar value of residential construction, which would result in a physical volume of housing work about equal to 1969.

The company's March and April sales have been encouraging. If a reasonable degree of stability can be maintained in the construction industry, and the government's and industry's projections can be achieved, there should be more business available in the coming year and some improvement in the company's earnings can be anticipated.

Appreciation

Mr. George Schotch, President of your company since 1965, is resigning to accept an executive appointment with Canada Cement Lafarge Ltd. in Montreal. Mr. Schotch's resignation has been accepted, to be effective at the conclusion of the annual meeting. The directors wish to express their appreciation of Mr. Schotch's valuable services to the company during his term of office and wish him well in his new appointment. At the annual meeting it is proposed to nominate Mr. H. F. Grightmire for election to the board of directors; if he is elected, the directors intend to appoint him president of the company. Mr. Grightmire will be relinquishing his present position as president of Permanent Concrete Ltd. whose business,

similar to that of your company, is centred in eastern Ontario and has operations across Canada.

In September your directors accepted with regret the resignation of Mr. R. S. Aiken, as a director after many years of valued service. Mr. Thomas H. Stevenson was appointed to the vacancy on the Board; he is Chairman of the Board of Permanent Concrete Ltd. of Brockville and is widely known in the Canadian construction industry and related fields.

We would like to take this opportunity of thanking our customers and shareholders for their support and our employees for their efforts during the past year.

On behalf of the board of directors

J. H. Reid

J. H. Reid, Chairman

George Schotch

George Schotch, President

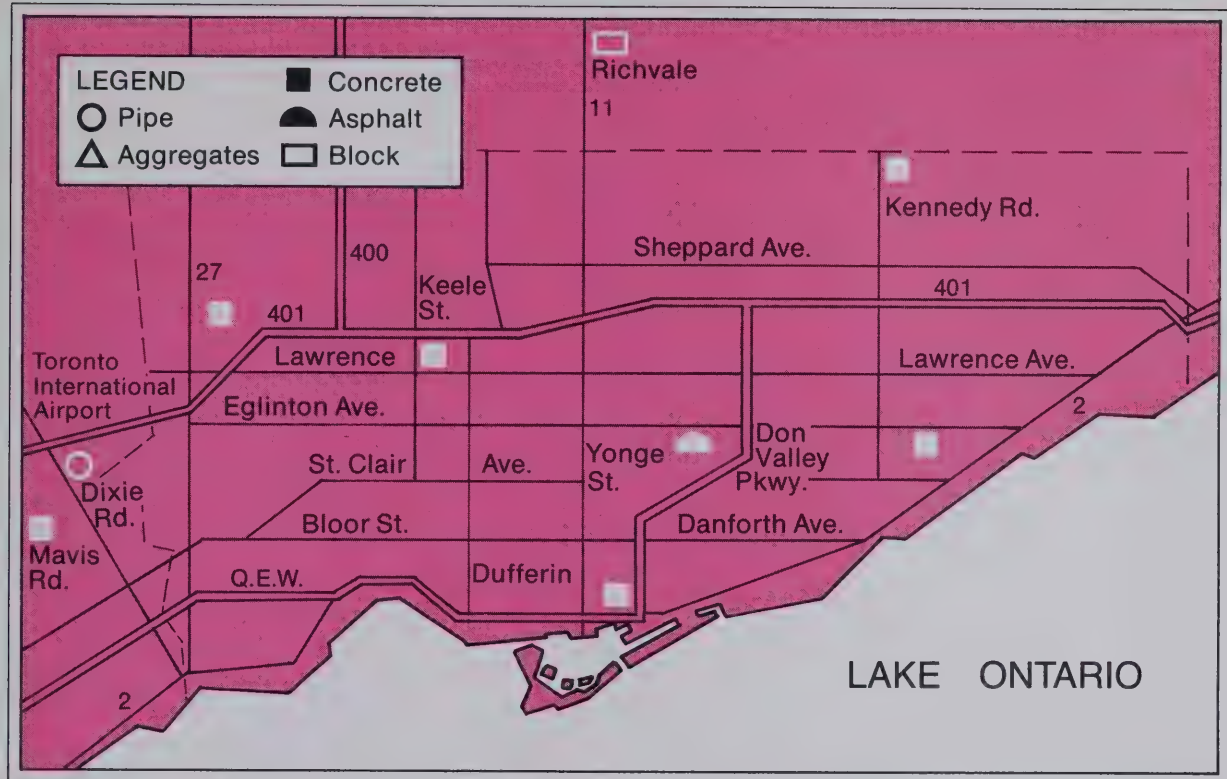
A paving crew of Standard Paving Maritime Limited at work on the coastal highway near Peggy's Cove, Nova Scotia — the artists' Atlantic paradise. This was part of a contract for resurfacing 14 miles of the highway completed in the summer of 1970.



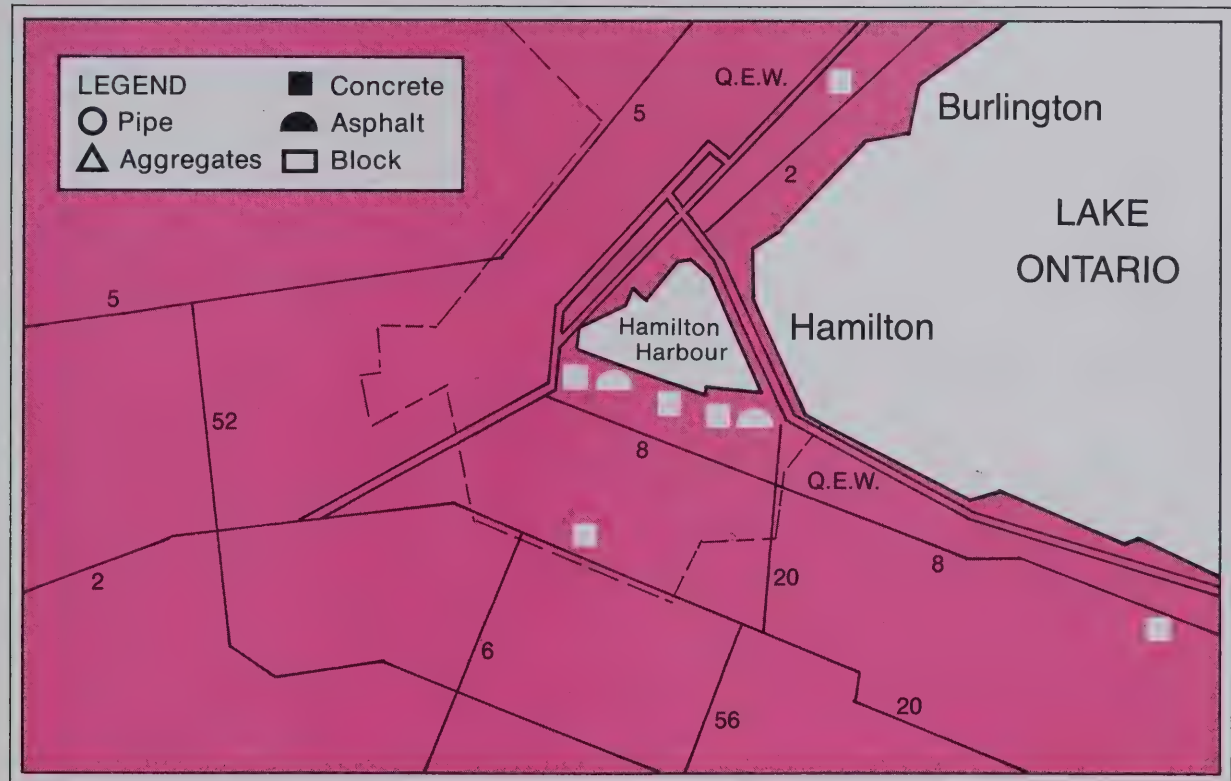
Production Centres – Southern Ontario



Production Centres – Toronto Area



Production Centres – Hamilton Area



STANDARD PAVING

(Incorporated under
and subsidiary laws of the State of New York)

CONSOLIDATED INCOME AND RETAINED EARNINGS

Year ended March 31, 1971

REVENUE	1971	1970
Sales and contract revenue	\$39,864,424	\$39,651,875
Income from investments	222,860	187,364
	<u>40,087,284</u>	<u>39,839,239</u>
 EXPENSE		
Cost of sales and operating expenses, exclusive of the following items	36,103,746	35,782,048
Depreciation and depletion	2,176,919	2,026,500
Interest on long-term debt	268,126	251,567
Other interest expense	40,716	59,420
	<u>38,589,507</u>	<u>38,119,535</u>
INCOME BEFORE INCOME TAXES	<u>1,497,777</u>	<u>1,719,704</u>
Income taxes		
Current	655,000	444,000
Deferred	62,000	405,000
	<u>717,000</u>	<u>849,000</u>
NET INCOME FOR THE YEAR	<u>780,777</u>	<u>870,704</u>
Per share	.76	.85
Profit on disposal of properties, net		1,012,632
NET INCOME AND EXTRAORDINARY ITEM	<u>780,777</u>	<u>1,883,336</u>
Retained earnings at beginning of year	11,543,055	10,325,511
	<u>12,323,832</u>	<u>12,208,847</u>
Dividends	512,148	665,792
Per share	.50	.65
RETAINED EARNINGS AT END OF YEAR	<u>\$11,811,684</u>	<u>\$11,543,055</u>

The supplementary financial information is an integral part of this statement.

MATERIALS, LIMITED

(In accordance with the laws of Ontario)

companies

CONSOLIDATED FINANCIAL POSITION

March 31, 1971

CURRENT ASSETS

	1971	1970
Cash	\$ 288,737	\$ 538,500
Short term investments	2,097,720	1,791,014
Accounts receivable	4,920,276	4,670,532
Mortgages receivable, current portion	58,000	201,746
Inventories	2,085,025	1,989,905
Prepaid expenses	683,955	480,122
	<u>10,133,713</u>	<u>9,671,819</u>

CURRENT LIABILITIES

Accounts payable and accrued	4,564,593	4,181,373
Dividends payable	128,037	128,037
Income taxes	265,684	192,198
Long-term debt, current portion	320,040	538,326
	<u>5,278,354</u>	<u>5,039,934</u>

WORKING CAPITAL

Mortgages receivable, excluding current portion	194,000	913,984
Investment in associated company, at cost	12,500	12,500
Property, plant and equipment, at cost, less accumulated depreciation and depletion	<u>15,655,301</u>	<u>14,907,374</u>
	<u>20,717,160</u>	<u>20,465,743</u>

Deduct

Long-term debt	2,913,110	2,992,322
Deferred income taxes	2,659,500	2,597,500
	<u>5,572,610</u>	<u>5,589,822</u>

SHAREHOLDERS' EQUITY

Derived from:

Capital stock		
Authorized — 1,140,240 common shares of no par value		
Issued — 1,024,296 shares	\$ 3,332,866	\$ 3,332,866
Retained earnings	11,811,684	11,543,055
Total Shareholders' Equity	<u>\$15,144,550</u>	<u>\$14,875,921</u>
	<u>Per share</u>	<u>\$ 14.52</u>

The supplementary financial information is an integral part of this statement.

Approved by the Board:

J. H. REID, Director.

GEORGE SCHOTCH, Director.

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

Year ended March 31, 1971

SOURCE OF FUNDS

	1971	1970
Net income for the year	\$ 780,777	\$ 870,704
Depreciation and depletion	2,176,919	2,026,500
Deferred income taxes	62,000	405,000
Funds from operations	3,019,696	3,302,204
Mortgages receivable, reduction in non-current portion ...	719,984	183,393
Increase in long-term debt	805,450	773,301
Profit on disposal of properties, net		1,012,632
	4,545,130	5,271,530

APPLICATION OF FUNDS

Additions to property, plant and equipment, net	2,924,846	3,006,172
Dividends	512,148	665,792
Long-term debt, reduction in non-current portion	884,662	586,279
Increase in mortgages receivable		918,730
Reduction in deferred income taxes, extraordinary items ..		286,000
	4,321,656	5,462,973

INCREASE (DECREASE) IN WORKING CAPITAL	\$ 223,474	\$ (191,443)
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The supplementary financial information is an integral part of this statement.

SUPPLEMENTARY FINANCIAL INFORMATION

March 31, 1971

ACCOUNTING AND FINANCIAL PRACTICES

INVENTORY VALUATION

Inventories of saleable materials and products are valued at the lower of average annual cost and net realizable value. Inventories of raw materials and supplies are valued at the lower of laid-down cost and replacement value, less any allowance for deterioration or obsolescence.

INVESTMENT IN ASSOCIATED COMPANY

The company owns a one-third interest in National Slag Limited. Dividends received are included in income from investments.

DEPRECIATION AND DEPLETION

Plant and equipment are depreciated over their estimated useful lives (buildings 25 years, plant and equipment 5 to 10 years) on a straight line basis. Gravel deposits as sources of material are depleted over their estimated useful lives on the basis of quantities extracted.

DEFERRED INCOME TAXES

Capital cost allowances which may be claimed for income tax purposes differ from depreciation and depletion recorded in the accounts, and certain other timing differences also exist in the determination of income for tax purposes.

The company follows the practice of claiming maximum allowances in calculating income for tax purposes. When those allowances exceed amounts recorded in the accounts, income taxes so deferred are charged against income. When the allowances utilized are less than amounts recorded in the accounts, an appropriate part of the taxes previously deferred is transferred back to income. The accumulated net amount of taxes so deferred is shown as such in the consolidated financial position statement.

CONTRACT REVENUE

Income from contracts is recognized on a percentage of completion basis and full provision is made for losses as they become evident.

EQUIPMENT AND OTHER LEASES

The company leases part of its equipment requirements, and equipment rentals are expensed as incurred in an annual amount of approximately \$775,000. Annual commitments for gravel royalties and land and building rentals amount to approximately \$165,000.

Supplementary Financial Information (Continued)

March 31, 1971

DETAILS OF CERTAIN ASSETS AND LIABILITIES

	1971	1970
INVENTORIES		
Saleable materials and products	\$ 1,620,302	\$ 1,583,578
Raw materials and supplies	464,723	406,327
	<u>\$ 2,085,025</u>	<u>\$ 1,989,905</u>
PROPERTY, PLANT AND EQUIPMENT		
Land and gravel deposits	\$ 5,728,983	\$ 5,117,514
Buildings, plant and equipment	30,516,528	28,766,691
Construction work-in-progress	499,903	1,022,903
	<u>36,745,414</u>	<u>34,907,108</u>
Less accumulated depreciation and depletion	21,090,113	19,999,734
	<u>\$15,655,301</u>	<u>\$14,907,374</u>
LONG-TERM DEBT		
Bank term loans, secured, due 1971/1976 (interest at 1½% above prime rate)	\$ 1,849,016	\$ 2,200,000
Mortgages payable, due 1971/1982	1,146,413	995,648
Other secured debt, due 1971/1973	237,721	335,000
	<u>3,233,150</u>	<u>3,530,648</u>
Less current portion	320,040	538,326
	<u>\$ 2,913,110</u>	<u>\$ 2,992,322</u>

Under the conditions of the bank term loans, approximately \$10,300,000 of retained earnings at March 31, 1971 is not available for payment of dividends.

PROFIT ON DISPOSAL OF PROPERTIES

The Canadian Institute of Chartered Accountants has recommended that extraordinary items be included in the determination of net income.

In the opinion of management the extraordinary item of profit on disposal of properties during the year ended March 31, 1970 (which amounted to \$1,012,632, or the equivalent of 99¢ per share after provision for losses of \$188,485, net of income taxes, on assets no longer in use) resulted from transactions of a capital nature which were quite distinct from the normal operations of the company, and could not properly be included in net income without needlessly distorting earnings comparisons with other years. The amount of such profit was therefore excluded from net income for that year.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Total direct remuneration of directors and senior officers amounted to \$186,550 (\$184,025 in 1970).

AUDITORS' REPORT

To the Shareholders of
Standard Paving & Materials, Limited

We have examined the consolidated financial statements, appearing on pages 8 through 11, of Standard Paving & Materials, Limited and subsidiary companies for the year ended March 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 4, 1971.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

McCord & Company's mixer trucks pouring concrete for traffic lanes of the interchange between Highways 401 and 27, Toronto, Ont. C. A. Pitts Engineering Construction Limited were general contractors for the Dept. of Highways of Ontario (photo courtesy of the Department).



S. P. & M. Materials Limited *

Consolidated Sand & Gravel, Company

Guelph Sand and Gravel, Company

production at plants in Paris, Guelph, Malton, Mono Mills, Stouffville and Pickering of water-washed sand and gravel for use as aggregates in concrete products, precast and prestressed concrete, and ready-mix concrete; sand and gravel for road construction and railway ballast. plants in Guelph, Paris, Pickering and Toronto producing a complete range of asphaltic concrete for the pavement of roads and streets, parking lots, driveways, etc.

McCord & Company

Red-D-Mix Concrete Company

mixed concrete for use in the construction of bridges, roadways, sidewalks, and buildings, delivered from plants located at Ajax, Beamsville, Brantford, Burlington, Delhi, Guelph, Hamilton (3 plants), London, Milton, Niagara Falls, North Bay, Oshawa, St. Catharines, St. Thomas, Strathroy, Welland and Metropolitan Toronto (6 plants).

production at Hamilton (2 plants) of a complete range of asphaltic concrete for pavement of roads, streets, parking lots, driveways, etc.

York Block and Building Supply

production at a plant in Toronto of concrete and lightweight block steam-cured by the autoclave (high pressure) or low pressure processes. Sales of masonry materials, gypsum products, sewer and drainage pipe, sand and stone, plaster, portland cement, Angelstone and other builders' supplies from warehouses located in Metropolitan Toronto.

Concrete Pipe Company

production at plants in Toronto and London of reinforced and non-reinforced concrete sewer and water pipe; perforated concrete drainage pipe; precast concrete specialty items; horizontal and vertical elliptical pipe; inner circle oval linings.

Standard Paving Company

road building, street and highway paving, and sidewalk and curb installation, operating out of district offices in North Bay and Hamilton.

North Bay Concrete & Supply Company

production at North Bay of sand and gravel aggregates, and asphaltic concrete for roadways, sidewalks, parking lots, etc.

National Sand and Material Company, Limited *

the marine recovery of sand by the S.S. "Charles Dick" from underwater deposits in Lake Erie and Lake Ontario for use as aggregates by the construction industry.

Standard Paving Maritime Limited *

road building, street and highway paving, sidewalk and curb installation, operating out of district offices in Halifax and Kentville, Nova Scotia; production at Halifax of a complete range of asphaltic concrete.

E. V. Breckon Limited *

haulage of liquid asphalt, cement, sand, gravel and stone for asphalt and ready-mix concrete producers in south-central Ontario.

** all wholly-owned by Standard Paving & Materials, Limited*

Financial Summary in thousands of dollars (except per share amounts)

years ended March 31

Operations	1971	1970	1969
Sales and contract revenue	<u>39,864</u>	<u>39,652</u>	<u>42,865</u>
Income before income taxes	<u>1,498</u>	<u>1,720</u>	<u>2,472</u>
Provision for income taxes	<u>717</u>	<u>849</u>	<u>1,270</u>
Minority Shareholders' Interest			
Net income	<u>781</u>	<u>871</u>	<u>1,202</u>
Financial Position			
Working capital	<u>4,855</u>	<u>4,632</u>	<u>4,823</u>
Fixed assets — net	<u>15,655</u>	<u>14,907</u>	<u>13,928</u>
Other assets	<u>207</u>	<u>927</u>	<u>191</u>
	<u>20,717</u>	<u>20,466</u>	<u>18,942</u>
Long-term debt	<u>2,913</u>	<u>2,992</u>	<u>2,805</u>
Deferred income taxes	<u>2,659</u>	<u>2,598</u>	<u>2,479</u>
Minority interest in subsidiaries			
	<u>5,572</u>	<u>5,590</u>	<u>5,284</u>
Shareholders' equity	<u>15,145</u>	<u>14,876</u>	<u>13,658</u>
Source and Application of Funds			
Net income	<u>781</u>	<u>871</u>	<u>1,202</u>
Depreciation and depletion	<u>2,177</u>	<u>2,026</u>	<u>1,685</u>
Deferred income taxes	<u>62</u>	<u>405</u>	<u>954</u>
Funds from operations	<u>3,020</u>	<u>3,302</u>	<u>3,841</u>
Profit on disposal of properties		<u>1,013</u>	<u>28</u>
Long-term debt increase (decrease)	<u>(80)</u>	<u>187</u>	<u>1,742</u>
	<u>2,940</u>	<u>4,502</u>	<u>5,611</u>
Capital expenditures — net	<u>2,925</u>	<u>3,006</u>	<u>4,524</u>
Acquisition of new subsidiaries			
Dividends	<u>512</u>	<u>666</u>	<u>205</u>
Mortgages receivable increase (decrease)	<u>(720)</u>	<u>735</u>	<u>(29)</u>
Other		<u>286</u>	<u>(123)</u>
	<u>2,717</u>	<u>4,693</u>	<u>4,577</u>
Increase (decrease) in working capital	<u>223</u>	<u>(191)</u>	<u>1,034</u>
Per Share			
Net income	<u>.76</u>	<u>.85</u>	<u>1.17</u>
Dividends	<u>.50</u>	<u>.65</u>	<u>.20</u>
Shareholders' equity	<u>14.79</u>	<u>14.52</u>	<u>13.33</u>

1968	1967	1966	1965	1964	1963	1962
36,796	40,925					
275	587	2,326	2,044	1,573	1,439	1,319
25	445	1,177	1,039	760	643	623
				115	95	95
250	142	1,149	1,005	698	701	601
3,789	2,004	2,795	5,049	5,084	4,957	4,721
11,088	12,189	11,573	7,396	6,736	6,097	5,898
344	222	152				137
15,221	14,415	14,520	12,445	11,820	11,054	10,756
1,064	1,081	1,075	39	40	90	125
1,525	1,608	1,220	675	348	151	171
				1,298	1,258	1,197
2,589	2,689	2,295	714	1,686	1,499	1,493
12,632	11,726	12,225	11,731	10,134	9,555	9,263
250	142	1,149	1,005	698	701	601
1,763	1,729	1,820	1,177	1,004	977	1,048
(41)	387	546	327	197	(19)	93
1,972	2,258	3,515	2,509	1,899	1,659	1,742
861		236		365		
(17)	5	914	(1)	(62)	(35)	(38)
2,816	2,263	4,665	2,508	2,202	1,624	1,704
675	2,345	4,745	1,538	1,548	1,175	741
		1,397	304	182		
205	640	666	512	410	410	717
121	(65)	111			(137)	
30	134		189	(65)	(60)	(177)
1,031	3,054	6,919	2,543	2,075	1,388	1,281
1,785	(791)	(2,254)	(35)	127	236	423
.24	.14	1.12	.98	.68	.68	.59
.20	.62½	.65	.50	.40	.40	.70
12.33	11.45	11.94	11.45	9.89	9.33	9.04

Directors, Officers and Management

DIRECTORS

- S. C. COOPER
*President of C. A. Pitts Engineering
Construction Limited*
- J. B. HANLY
*Vice-President of Canada Cement
Lafarge Limited*
- I. L. JENNINGS
Vice-president of the Company
- D. G. LAWSON
President of Moss Lawson & Co. Limited
- J. H. REID
Chairman of the Board of the Company
- G. SCHOTCH
President of the Company
- T. H. STEVENSON
*Chairman of the Board of
Permanent Concrete Limited*

OFFICERS

- J. H. REID
Chairman of the Board
- G. SCHOTCH
President
- I. L. JENNINGS
Vice-president
- T. D. JONES
*Vice-president and Secretary-
Treasurer*
- M. E. McRAE
Vice-president
- R. F. TITUS
Vice-president
- E. J. WINTERS
Comptroller
- E. J. HADDEN
Assistant Secretary-Treasurer

MANAGEMENT OF SUBSIDIARIES AND DIVISIONS

- M. C. EDWARDS
*Vice-president, S. P. & M. Materials Limited
General Manager, McCord & Company and York Block and Building Supply*
- I. L. JENNINGS
*Vice-president, S. P. & M. Materials Limited
General Manager, Consolidated Sand & Gravel Company and Guelph Sand and Gravel Company
Vice-president, National Sand and Material Company, Limited*
- M. E. McRAE
*Vice-president, S. P. & M. Materials Limited
General Manager, Concrete Pipe Company*
- R. F. TITUS
*Vice-president, S. P. & M. Materials Limited
President, Standard Paving Maritime Limited*
- T. A. WILCOX
*Vice-president, S. P. & M. Materials Limited
General Manager, Red-D-Mix Concrete Company, Standard Paving Company and
North Bay Concrete & Supply Company
Vice-president, E. V. Breckon Limited*

Registrar and Transfer Agents

CANADA PERMANENT TRUST COMPANY
1901 Yonge Street, Toronto

Auditors

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants,
Royal Trust Tower,
Box 262, Toronto Dominion Centre,
Toronto, Ontario

Bankers

CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF NOVA SCOTIA



The "Consolidated Sand & Gravel" team, this season's champions of the "Mite" league in the Stouffville Minor Hockey Association.

Our people value highly the good relations they have established within the communities in which they operate. We are particularly proud to be associated with several junior sports activities in these communities, including the two teams shown on this page.

The "Concrete Pipe Bombers", ages 9 to 11 years, semi-finalists in the play-offs of the Erindale Lacrosse Association, Mississauga.



